



# Department of Justice

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## **JUSTICE DEPARTMENT WILL NOT CHALLENGE PROPOSAL TO FORM HEALTH CARE NETWORK IN CENTRAL RURAL CALIFORNIA**

WASHINGTON, D.C. -- The Department of Justice will not challenge a proposal by a central California hospital and group of doctors to form a health care provider network in Ridgecrest, California, that will use an independent third party to convey contract offers to HMOs, health insurance carriers and self-insured employers. The Department's Antitrust Division said that if the arrangements are carefully implemented, the network's operations should not result in price collusion or cause anticompetitive harm.

The proposed network, to be called Sierra CommCare Inc., is expected to include an 80-bed Ridgecrest Community Hospital and 23 physicians in the rural Ridgecrest, California area.

Sierra plans to retain the services of an independent third party to administer the operations of the venture and act as a "messenger" between payers and individual members. The administrator will convey contract offers between payers and individual members without expressing the administrator's views or otherwise attempting to influence contract decisions. Each member of the network will independently, and on an individual basis, accept or reject submitted contract offers.

Assistant Attorney General Anne K. Bingaman in charge of the Department's Antitrust Division, said that under the messenger model, Sierra's members will refrain from joint price setting and other agreements that restrict competition. "Messenger model arrangements that are

properly designed and implemented rarely present substantial antitrust concerns," Bingaman said.

The Department's position was stated in a business review letter from Bingaman to counsel for the group.

Sierra will also establish policies and procedures to restrict the flow of competitively sensitive information among network members and from the venture to the members.

Additionally, its members will participate in the network on a non-exclusive basis. There will be no restriction on the ability of members to compete with Sierra, and members will not be discouraged from joining other networks or contracting directly with health plans.

The Department approved Sierra's plans after giving careful consideration to the fact that Sierra's network will include virtually all of the physicians in the Ridgecrest area and that the markets for physician services there are highly concentrated. In such situations, there are increased opportunities to collude on prices, tacitly or otherwise. However, the Department determined that Sierra appears to have properly structured its messenger model arrangements to avoid agreements on prices and other competitively sensitive matters.

Under the Department's business review procedure, an organization may submit a proposed action to the Antitrust Division and receive a statement as to whether the Division will challenge the action under the antitrust laws.

A file containing the business review request and the Department's response may be examined in the Legal Procedure Unit of the Antitrust Division, Room 215 North, Liberty Place, Department of Justice, Washington, D.C. 20530. After a 30-day waiting period, the documents supporting the business review will be added to the file.

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